

**ALDEN  
COMMUNITY SCHOOL DISTRICT**

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2011

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**ALDEN COMMUNITY SCHOOL DISTRICT**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
Robert Ites	President	2013
Kyle Janes	Vice President	2011
Brian Lauterbach		
(Resigned, December, 2010)		
John Wibholm		2011
Greg Lascheid		2013
Seth Lettow		
(Appointed, January, 2011)		
		2011

**School Officials**

Dr. John Robbins	Superintendent
Kim Sharar	District Secretary/ Treasurer

# BRUCE D. FRINK

## Certified Public Accountant

### Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

### Services:

- Individual, Partnership and Corporate Tax Preparation
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Bank Loan Assistance

### Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

### Independent Auditor's Report

To the Board of Education of  
Alden Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities and each major fund of Alden Community School District, Alden, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

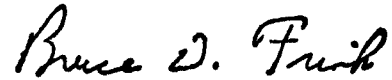
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities and each major fund of Alden Community School District at June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated January 13, 2012 on our consideration of Alden Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 12 and 35 through 37 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Alden Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 3, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Bruce D. Frink". The signature is written in a cursive, flowing style.

**BRUCE D. FRINK**  
**Certified Public Accountant**

January 13, 2012

# **ALDEN COMMUNITY SCHOOL DISTRICT**

## **Management's Discussion and Analysis**

Alden Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2011 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$3,028,169 in fiscal 2010 to \$3,180,857 in fiscal 2011, while General Fund expenditures decreased from \$3,315,172 in fiscal 2010 to \$3,209,071 in fiscal 2011. The District's General Fund balance decreased from \$392,543 in fiscal 2010 to \$364,329 in fiscal 2011.
- The increase in revenue was primarily in state sources that was partially offset by a decrease in federal stimulus funding.
- The General Fund balance decreased due to revenues not being able to keep pace with expenses. The District decreased spending across the board.
- The District's solvency ratio was 10% at the end of fiscal 2011. The solvency ratio is indicative of the District's ability to meet its financial obligations. This is a decrease of 3% from the prior year, however, still above the state recommended rate of 5%.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Alden Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Alden Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Alden Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the Student Activity Fund and a multiyear comparison of revenues and expenses.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

**Figure A-1**  
**Alden Community School District Annual Financial Report**

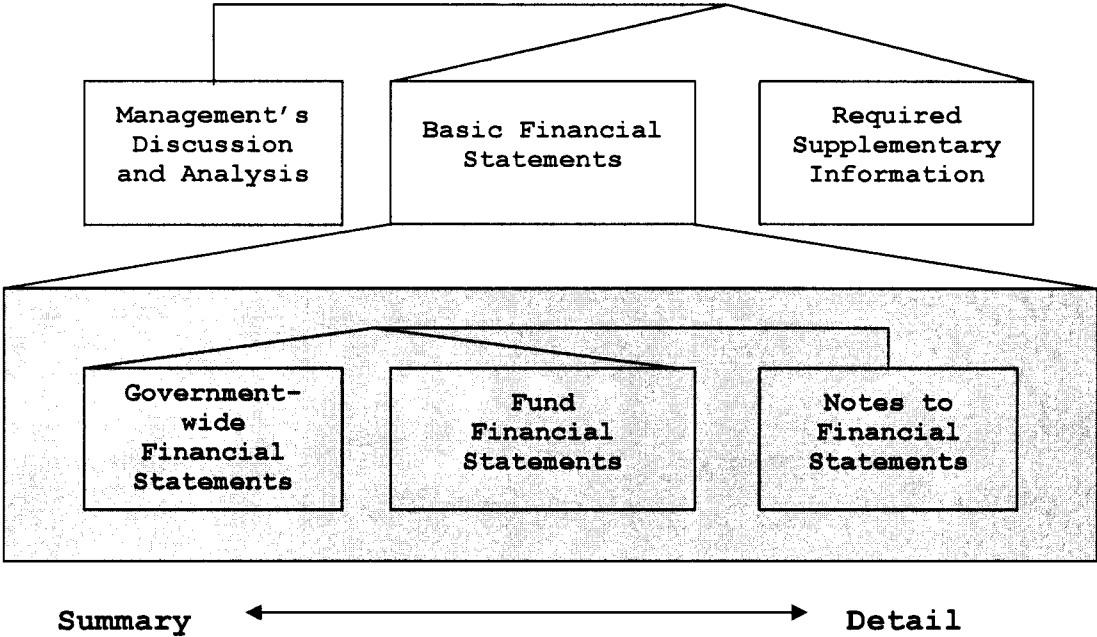


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

**Figure A-2**

**Major Features of the Government-wide and Fund Financial Statements**

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activity the District operates similar to private businesses; food services	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in fund net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid



## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities - are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- **Governmental activities:** Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- **Business type activities:** The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### *Fund Financial Statements*

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. The District elected to present all funds as "major" for clarity of presentation.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) **Governmental funds:** Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, the Special Revenue Funds, and the Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) **Proprietary funds:** Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statement for proprietary funds includes a statement of net assets, a statement of revenues, expenses and changes in fund net asset and a statement of cash flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trusts.

- Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

Required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in Fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2011 compared to the year ending June 30, 2010.

<p align="center"><b>Figure A-3</b>  <b>Condensed Statement of Net Assets</b>  <b>(Expressed in Thousands)</b></p>							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-2011
Current assets	\$ 2,506	2,330	39	28	2,545	2,358	7.93%
Capital assets	1,327	1,232	-	-	1,327	1,232	7.71%
<b>Total assets</b>	<b>\$ 3,833</b>	<b>3,562</b>	<b>39</b>	<b>28</b>	<b>3,872</b>	<b>3,590</b>	<b>7.86%</b>
Current liabilities	\$ 1,471	1,413	-	-	1,471	1,413	4.10%
Non-current liabilities	-	-	-	-	-	-	0.00%
<b>Total liabilities</b>	<b>\$ 1,471</b>	<b>1,413</b>	<b>-</b>	<b>-</b>	<b>1,471</b>	<b>1,413</b>	<b>4.10%</b>
<b>Net Assets</b>							
Invested in capital assets, net of related debt	\$ 1,327	1,232	-	-	1,327	1,232	7.71%
Restricted	607	448	-	-	607	448	35.49%
Unrestricted	428	469	39	28	467	497	-6.04%
<b>Total net assets</b>	<b>\$ 2,362</b>	<b>2,149</b>	<b>39</b>	<b>28</b>	<b>2,401</b>	<b>2,177</b>	<b>10.29%</b>

Total net assets decreased 10% due primarily due to an increase in the statewide sales tax fund of over \$100,000. The District decreased expenses in that fund from prior years.

The District invested over \$240,000 in equipment and remodeling projects which resulted in an increase in net capital assets of over seven percent.

Figure A-4 shows the changes in net assets for the year ended June 30, 2011 compared to the year ended June 30, 2010.

Figure A-4								
Changes in Net Assets								
(Expressed in Thousands)								
Governmental Activities			Business Type Activities		Total District		Total Change	
2011		2010	2011	2010	2011	2010	2010-2011	
Revenues:								
Program revenues:								
Charges for service and sales	\$	575	570	63	56	638	626	1.92%
Operating grants, contributions and interest		656	698	73	62	729	760	-4.08%
General revenues:								
Property tax		1,217	1,202	-	-	1,217	1,202	1.25%
Income surtax		110	103	-	-	110	103	6.80%
Statewide sales, services and use tax		202	185	-	-	202	185	9.19%
Unrestricted state grants		870	667	-	-	870	667	30.43%
Unrestricted investment earnings		4	8	-	-	4	8	-50.00%
Other		20	64	-	-	20	64	-68.75%
Total revenues		3,654	3,497	136	118	3,790	3,615	4.84%
Program expenses:								
Governmental activities:								
Instruction		2,316	2,446	-	-	2,316	2,446	-5.31%
Support Services		874	865	-	-	874	865	1.04%
Non-instructional programs		-	-	125	105	125	105	19.05%
Other expenses		250	274	-	-	250	274	-8.76%
Total expenses		3,440	3,585	125	105	3,565	3,690	-3.39%
Change in net assets	\$	214	(88)	11	13	225	(75)	-400.00%

Property tax and unrestricted state grants account for 55% of the total revenue. The District's expenses primarily related to instruction and support services, which account for 89% of the total expenses.

## Governmental Activities

Revenues for governmental activities were \$3,654,033 and expenses were \$3,440,395 for the year ending June 30, 2011.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services and other expenses, for the year ended June 30, 2011 compared to the year ended June 30, 2010.

<b>Figure A-5</b>						
<b>Total and Net Cost of Governmental Activities</b>						
<b>(Expressed in Thousands)</b>						
<b>Total Cost of Services</b>			<b>Net Cost of Services</b>			
		<b>Change</b>			<b>Change</b>	
	<b>2011</b>	<b>2010</b>	<b>2010-2011</b>	<b>2011</b>	<b>2010</b>	<b>2010-2011</b>
Instruction	\$ 2,316	2,446	-5.31%	1,254	1,364	-8.06%
Support services	874	865	1.04%	817	847	-3.54%
Other expenses	250	274	-8.76%	138	106	30.19%
Totals	\$ 3,440	3,585	-4.04%	2,209	2,317	-4.66%

For the year ending June 30, 2011:

- The cost financed by users of the District's programs was \$575,124.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$479,533.
- The net cost of governmental activities was financed with \$1,216,362 in property tax and \$870,262 in state foundation aid.

## Proprietary-Type Funds

Revenues for the District's School Nutrition Fund were \$135,620 and expenses totaled \$125,040. The revenues include charges for services, contributions, and federal and state reimbursements.

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As previously noted, Alden Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the fiscal year, its governmental funds reported combined fund balance of \$929,258, which is 14% greater than last year's ending fund balance of \$812,902.

## Governmental Fund Highlights

- The District held the line on property tax increases.
- The District continues a two-way sharing agreement with Iowa Falls. Significant cost savings have occurred as a result.
- The District collected over \$202,000 in statewide sales, services and use tax. This money is being used for infrastructure projects.

## Proprietary Fund Highlights

School Nutrition Fund net assets increased over \$10,000 in fiscal year 2011.

## BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures.

The District exceeded the amended published budgeted amount in the non-instructional programs function. The District did not exceed its General Fund unspent authorized budget.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

The District has invested more than \$1.3 million, net of accumulated depreciation, by the end of fiscal year 2011 in a broad range of capital assets, including school buildings, athletic facilities, kitchen, computers and audio-visual equipment, maintenance equipment, school buses and other vehicles, library holdings, and textbooks. The District made improvements and updated equipment at all three facilities during the year. Total depreciation expenses for the year exceeded \$146,000.

Figure A-6  
Capital Assets, net Depreciation  
(Expressed in Thousands)

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-2011
Land	\$ 1	1	-	-	1	1	0.00%
Land improvements	63	70	-	-	63	70	-10.00%
Buildings	1,030	967	-	-	1,030	967	6.51%
Furniture and equipment	233	194	-	-	233	194	20.10%
Totals	<u>\$ 1,327</u>	<u>1,232</u>	<u>-</u>	<u>-</u>	<u>1,327</u>	<u>1,232</u>	<u>7.71%</u>

### Long Term Debt

The District has no long-term debt.

## ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- To offset the impact of declining enrollment, the State has provided a budget guarantee provision for districts. This budget guarantee provision is being phased out over a 10- year period. The District was on budget guarantee for fiscal year 2010 and will continue to be on budget guarantee as long as this guarantee is continued.
- Alternative sources must be found due to funding inconsistencies on the parts of the federal and state governments. The District has experienced state aid cuts ranging from 1.5% to 10% in the past 5 years.
- The District has entered into a whole grade sharing agreement with the Iowa Falls Community School District for Grades 6-12. This should allow the District to maintain its own K-5 program into the foreseeable future.

- The District will continue to be required to comply with unfunded and under funded mandates from the federal and state governments such as the Federal No Child Left Behind Act and the state Student Achievement and Teacher Quality Initiative. This will require the District to find ways to provide services in the areas of assessment and professional development, which will divert funds from other student service areas.

#### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Dr. John Robbins, Superintendent, Alden Community School District, 209 Center Street, Alden, IA 50006.

## **Basic Financial Statements**

## ALDEN COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2011

	Governmental Activities	Business Type Activities School Nutrition	Total
<b>Assets</b>			
Cash and pooled investments	\$ 936,080	38,707	974,787
Receivables:			
Property tax:			
Current year	15,076	-	15,076
Succeeding year	1,319,319	-	1,319,319
Income surtax - succeeding year	106,162	-	106,162
Due from other governments	86,272	-	86,272
Other receivables	43,362	-	43,362
Inventories	-	283	283
Capital assets, net of accumulated depreciation	1,327,108	-	1,327,108
<b>Total assets</b>	<b>3,833,379</b>	<b>38,990</b>	<b>3,872,369</b>
<b>Liabilities</b>			
Accounts payable	151,532	-	151,532
Deferred revenue:			
Succeeding year property tax	1,319,319	-	1,319,319
<b>Total liabilities</b>	<b>1,470,851</b>	<b>-</b>	<b>1,470,851</b>
<b>Net assets</b>			
Invested in capital assets, net of related debt	1,327,108	-	1,327,108
Restricted for:			
Categorical funding	42,214		
Student activities	11,477		
Management levy	168,929	-	168,929
School Infrastructure	253,483	-	253,483
Physical plant and equipment levy	131,040	-	131,040
Unrestricted	428,277	38,990	467,267
<b>Total net assets</b>	<b>\$ 2,362,528</b>	<b>38,990</b>	<b>2,347,827</b>

See notes to financial statements.



## ALDEN COMMUNITY SCHOOL DISTRICT

## Statement of Activities

Year ended June 30, 2011

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
	Operating Grants, Contributions and Restricted Interest		Governmental Activities	Business Type Activities	Total
	Expenses	Charges for Service			
<b>Functions/Programs:</b>					
Governmental activities:					
Instruction	\$ 2,315,869	575,124	486,608	(1,254,137)	- (1,254,137)
Support services:					
Student services	72,075	-	-	(72,075)	- (72,075)
Instructional staff services	68,374	-	-	(68,374)	- (68,374)
Administration services	305,725	-	-	(305,725)	- (305,725)
Operation and maintenance of plant services	262,463	-	57,272	(205,191)	- (205,191)
Transportation services	165,536	-	-	(165,536)	- (165,536)
	874,173	-	57,272	(816,901)	- (816,901)
Other expenditures:					
AEA flowthrough	112,049	-	112,049	-	- (8,924)
Facilities acquisition and construction	8,924	-	-	(8,924)	- (8,924)
Depreciation (unallocated)*	129,380	-	-	(129,380)	- (129,380)
	250,353	-	112,049	(138,304)	- (138,304)
Total governmental activities	3,440,395	575,124	655,929	(2,209,342)	- (2,209,342)

## Functions/Programs:

Governmental activities:

ALDEN COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2011

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
	Operating Grants, Contributions			
	Charges for Service	and Restricted Interest	Governmental Activities	Business Type Activities
Expenses				Total
Business type activities:				
Non-instructional programs:				
Nutrition services	125,040	63,163	72,457	10,580
			-	10,580
Total	<u>\$ 3,565,435</u>	<u>638,287</u>	<u>728,386</u>	<u>(2,198,762)</u>
<b>General revenues:</b>				
Property tax levied for:				
General purposes			\$ 1,031,905	-
Management			74,489	-
Capital outlay			109,968	-
Income surtax			109,816	-
Statewide sales, services and use tax			202,311	-
Unrestricted state grants			870,262	-
Unrestricted investment earnings			4,171	-
Other			20,058	-
Total general revenues			<u>2,422,980</u>	<u>2,422,980</u>
Change in net assets			213,638	10,580
Net assets beginning of year			2,148,890	28,410
Net assets end of year			<u>\$ 2,362,528</u>	<u>38,990</u>
				<u>2,401,518</u>

\* This amount excludes the depreciation that is included in the direct expenses of the various programs.

See notes to financial statements.



ALDEN COMMUNITY SCHOOL DISTRICT

Balance Sheet  
Governmental Funds

June 30, 2011

	General	Student Activity	Management Levy	Capital Projects			Total
				Statewide Sales Services and Use Tax	Physical Plant and Equipment Levy		
<b>Liabilities and Fund Balance</b>							
Liabilities:							
Accounts payable	\$ 151,532	-	-	-	-		151,532
Deferred revenue:							
Succeeding year property tax	1,319,319	-	-	-	-		1,319,319
Succeeding year income surtax	106,162	-	-	-	-		106,162
Total liabilities	1,577,013	-	-	-	-		1,577,013
<b>Fund balances:</b>							
Restricted for							
Categorical funding	42,214	-	-	-	-		42,214
Student activities	-	11,477	-	-	-		11,477
Management levy	-	-	168,929	-	-		168,929
School infrastructure	-	-	-	253,483	-		253,483
Physical plant and equipment levy	-	-	-	-	131,040		131,040
Unassigned	322,115	-	-	-	-		322,115
Total fund balance	364,329	11,477	168,929	253,483	131,040		929,258
<b>Total liabilities and fund balances</b>	<b>\$ 1,941,342</b>	<b>11,477</b>	<b>168,929</b>	<b>253,483</b>	<b>131,040</b>		<b>2,506,271</b>

See notes to financial statements.

## ALDEN COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Assets

June 30, 2011

<b>Total fund balances of governmental funds (Exhibit C)</b>	\$ 929,258
<b>Amounts reported for governmental activities in the statement of net assets are different because:</b>	
Income surtax receivable at June 30, 2011 is not recognized as income until received in the governmental funds, however it is shown as a receivable in the Statement of Net Assets.	106,162
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmenta funds.	<u>1,327,108</u>
<b>Net assets of governmental activities (Exhibit A)</b>	<u><u>\$ 2,362,528</u></u>

See notes to financial statements.

## ALDEN COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds

Year ended June 30, 2011

	General	Student Activity	Management Levy	Capital Projects			Total
				Statewide Sales Services and Use Tax	Physical Plant and Equipment Levy		
Revenues:							
Local sources:							
Local tax	\$ 1,139,088	-	74,489	202,311	109,968		1,525,856
Tuition	575,124	-	-	-	-		575,124
Other	29,801	26,503	4,889	26,683	700		88,576
State sources	1,248,163	-	-	-	-		1,248,163
Federal sources	188,681	-	-	-	25,000		213,681
Total revenues	3,180,857	26,503	79,378	228,994	135,668		3,651,400
Expenditures:							
Current:							
Instruction	2,284,381	31,488	-	-	-		2,315,869
Support services:							
Student services	65,239	-	6,836	-	-		72,075
Instructional staff services	67,374	-	-	31,773	-		99,147
Administration services	302,801	-	2,924	-	-		305,725
Operation and maintenance of plant services	232,098	-	26,342	4,023	-		262,463
Transportation services	145,129	-	3,309	-	-		148,438
	812,641	-	39,411	35,796	-		887,848

ALDEN COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds

Year ended June 30, 2011

	General	Student Activity	Management Levy	Statewide Sales Services and Use Tax	Physical Plant and Equipment Levy	Total
Other expenditures:						
AEA flowthrough	112,049	-	-	-	-	112,049
Facilities acquisition and construction	-	-	-	88,281	130,997	219,278
	112,049	-	-	88,281	130,997	331,327
Total expenditures	3,209,071	31,488	39,411	124,077	130,997	3,535,044
Net change in fund balances	(28,214)	(4,985)	39,967	104,917	4,671	116,356
Fund balances beginning of year	392,543	16,462	128,962	148,566	126,369	812,902
Fund balances end of year	\$ 364,329	11,477	168,929	253,483	131,040	929,258

See notes to financial statements.

## ALDEN COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances - Governmental Funds  
to the Statement of Activities

Year ended June 30, 2011

**Net change in fund balances - total governmental funds (Exhibit E)** \$ 116,356

**Amounts reported for governmental activities in the statement of  
activities are different because:**

Income surtaxes not collected for several months after the District's  
fiscal year ends are not considered "available" revenues in the  
governmental funds and are included as deferred revenues. They are,  
however, recorded as revenues in the statement of activities

This represents the change from the prior fiscal year 2,633

Capital outlays to purchase or build capital assets are reported in  
governmental funds as expenditures. However, those costs are reported  
in the Statement of Net Assets and are allocated over their estimated  
useful lives as depreciation expense in the Statement of Activities.  
The amounts of depreciation expense in the year are as follows:

Capital outlays	\$ 241,127	
Depreciation expense	(146,478)	94,649

**Change in net assets of governmental activities (Exhibit B)** \$ 213,638



## ALDEN COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses and Changes in Fund Net Assets  
Proprietary Fund

Year ended June 30, 2011

	<u>School Nutrition</u>
Operating revenue:	
Local sources:	
Charges for services	\$ 63,163
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	49,108
Benefits	7,439
Services	1,362
Supplies	67,131
Total operating expenses	125,040
Operating (loss)	(61,877)
Non-operating revenues:	
State sources	1,226
Federal sources	70,400
Interest income	831
	72,457
Change in net assets	10,580
Net assets beginning of year	28,410
Net assets end of year	\$ 38,990

See notes to financial statements.

## ALDEN COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows  
Proprietary Fund

Year ended June 30, 2011

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 63,163
Cash payments to employees for services	(56,547)
Cash payments to suppliers for goods or services	<u>(62,540)</u>
Net cash (used by) operating activities	<u>(55,924)</u>
Cash flows from non-capital financing activities:	
State grants received	1,226
Federal grants received	<u>64,447</u>
Net cash provided by non-capital financing activities	<u>65,673</u>
Cash flows from investing activities:	
Interest on investments	<u>831</u>
Net increase in cash and cash equivalents	10,580
Cash and cash equivalents beginning of year	<u>28,127</u>
Cash and cash equivalents end of year	<u>\$ 38,707</u>
<b>Reconciliation of operating (loss) to net cash (used by)</b>	
<b>operating activities:</b>	
Operating (loss)	\$ (61,877)
Adjustments to reconcile operating (loss) to net cash	
(used by) operating activities:	
Commodities used	<u>5,953</u>
	<u>\$ (55,924)</u>

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2011, the District received federal commodities valued at \$5,953.

## ALDEN COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets  
Fiduciary Funds

Year ended June 30, 2011

	Private Purpose Trusts <u>Scholarships</u>
<b>Assets</b>	
Cash	\$ 49,964
<b>Total assets</b>	<u>49,964</u>
<b>Net Assets</b>	
Reserved for scholarships	<u>49,964</u>
<b>Total net assets</b>	<u>\$ 49,964</u>

## ALDEN COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds

Year ended June 30, 2011

	Private Purpose Trusts <u>Scholarships</u>
Additions:	
Local sources:	
Miscellaneous	\$ 2,475
Total additions	<u>2,475</u>
Deductions:	
Support services:	
Scholarships	<u>2,430</u>
Total deductions	<u>2,430</u>
Change in net assets	45
Net assets beginning of year	<u>49,919</u>
Net assets end of year	<u>\$ 49,964</u>

See notes to financial statements.

# ALDEN COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2011

### (1) Summary of Significant Accounting Policies

Alden Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the City of Alden, Iowa, and agricultural area in Hardin and Franklin Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis. The District has entered into a two way sharing agreement with the Iowa Falls Community School District. See note 7 for additional details.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

#### A. Reporting Entity

For financial reporting purposes, Alden Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Alden Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Hardin County Assessor Conference Board.

#### B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets meeting the definition of the preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The District has elected to present all funds as major funds for clarity of presentation.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Physical Plant and Equipment Levy is used to account for the purchase of equipment and the repairing, remodeling and construction of buildings and land improvements.

The Student Activity Fund is used to account for extra curricular activities conducted on behalf of the students.

The Management Levy Fund is utilized for the payment of insurance, unemployment and early retirement benefits.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The District reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used for scholarship awards.

#### C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund are charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

#### D. Assets, Liabilities and Fund Balance

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Current property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2010.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment and intangibles are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years. No intangible assets were noted that exceeded the threshold amount.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 1,000
Buildings	10,000
Improvements other than buildings	10,000
Intangible assets	50,000
Furniture and equipment:	
School Nutrition Fund equipment	5,000
Other furniture and equipment	5,000

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Intangibles	5-10 years
Furniture and equipment	5-15 years



Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year-end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and prior year income surtax revenues that are not available within sixty days after year-end.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability is deemed to be immaterial at June 30, 2011.

Fund Equity - In the governmental fund financial statements, fund balances are classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Committed - Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned - All amounts not included in other spendable classifications.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or are imposed by law through constitutional provisions or enabling legislation.

#### E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011, expenditures exceeded the amended amount budgeted in the non-instructional programs function. The District did not exceed its General Fund unspent authorized budget.

## **(2) Cash and Pooled Investments**

The District's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2011, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$1,213 pursuant of rule 2a-7 under the Investment Company Act of 1940.

Credit risk - The investments in the Iowa School Joint Investment Trust were rated Aaa by Moody's Investors Service.

### (3) Capital Assets

Capital assets activity for the year ended June 30, 2011 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 1,000	-	-	1,000
Capital assets being depreciated:				
Land improvements	147,192	-	-	147,192
Buildings	2,692,243	125,155	-	2,817,398
Furniture and equipment	1,095,071	115,972	-	1,211,043
Total capital assets being depreciated	3,934,506	241,127	-	4,175,633
Less accumulated depreciation for:				
Land improvements	76,597	7,360	-	83,957
Buildings	1,725,539	62,126	-	1,787,665
Furniture and equipment	900,911	76,992	-	977,903
Total accumulated depreciation	2,703,047	146,478	-	2,849,525
Total capital assets being depreciated, net	1,231,459	94,649	-	1,326,108
Governmental activities, capital assets, net	\$ 1,232,459	94,649	-	1,327,108
<b>Business type activities:</b>				
Furniture and equipment	\$ 27,007	-	-	27,007
Less accumulated depreciation	27,007	-	-	27,007
Business type activities capital assets, net	\$ -	-	-	-
Depreciation expense was charged to the following functions:				
Governmental activities:				
Student transportation				\$ 17,098
Unallocated				129,380
				<u>\$ 146,478</u>
Business Type activities:				
Food service operations				\$ -

### (4) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.50% of their annual salary and the District is required to contribute 6.95% of annual covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2011, 2010, and 2009 were \$94,675, \$89,543, and \$85,300 respectively, equal to the required contributions for each year.

**(5) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$112,049 for year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(6) Risk Management**

Alden Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(7) Sharing Agreement**

The District has entered into an agreement with the Iowa Falls Community School District to share students in Grades 6-12. Sixth graders attend Alden while seventh through twelfth graders attend Iowa Falls.

**(8) Other Postemployment Benefits (OPEB)**

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 37 active and 4 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which result in an implicit rate subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefits plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 13,000
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	13,000
Contributions made	(13,000)
Increase in net OPEB obligation	-
Net OPEB obligation beginning of year	-
Net OPEB obligation end of year	\$ -

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

The year ended June 30, 2011, the District contributed \$13,000 to the medical plan.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2011 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2010	\$13,000	100.0%	\$ -
June 30, 2011	\$13,000	100.0%	\$ -

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$158,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$158,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,399,000 and the ratio of the UAAL to covered payroll was 11.3%. As of June 30, 2011, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from information provided by the District.

Projected claim costs of the medical plan are \$1,009 per month for retirees less than age 65. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**(9) Accounting Change/Restatement**

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	<u>Capital Projects, Physical Plant and Equipment Levy</u>	<u>Special Revenue, Physical Plant and Equipment Levy</u>
Balances June 30, 2010, as previously reported	\$ -	126,369
Change in fund type classification per implementation of GASB Statement No. 54	<u>126,369</u>	<u>(126,369)</u>
Balances July 1, 2010, as restated	<u>\$126,369</u>	<u>-</u>

## **Required Supplementary Information**

**ALDEN COMMUNITY SCHOOL DISTRICT**

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances -  
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2011

	Governmental Fund Types	Proprietary Fund Type	Total Actual	Budgeted Amounts	Final to Actual Variance
	Actual	Actual	Actual	Original      Final	
<b>Revenues:</b>					
Local sources	\$ 2,189,556	63,994	2,253,550	2,126,134	127,416
State sources	1,248,163	1,226	1,249,389	1,396,975	(147,586)
Federal sources	213,681	70,400	284,081	137,000	147,081
Total revenues	<u>3,651,400</u>	<u>135,620</u>	<u>3,787,020</u>	<u>3,660,109</u>	<u>126,911</u>
<b>Expenditures/Expenses:</b>					
Instruction	2,315,869	-	2,315,869	2,499,000	183,131
Support services	887,848	-	887,848	973,500	85,652
Non-instructional programs	-	125,040	125,040	105,000	(40)
Other expenditures	331,327	-	331,327	385,682	54,355
Total expenditures/expenses	<u>3,535,044</u>	<u>125,040</u>	<u>3,660,084</u>	<u>3,963,182</u>	<u>323,098</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	116,356	10,580	126,936	(303,073)	450,009
Other financing sources (uses)	-	-	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses and other financing uses	116,356	10,580	126,936	(303,073)	450,009
Balance beginning of year	812,902	28,410	841,312	707,679	133,633
Balance end of year	<u>\$ 929,258</u>	<u>38,990</u>	<u>968,248</u>	<u>404,606</u>	<u>583,642</u>

See accompanying independent auditor's report.

**ALDEN COMMUNITY SCHOOL DISTRICT**

**Note to Required Supplementary Information - Budgetary Reporting**

**Year ended June 30, 2011**

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. The District amended the budget one time increasing expenditures by \$20,000.

During the year ended June 30, 2011, expenditures exceeded the amended amount budgeted in the non-instructional programs function. The District did not exceed the General Fund unspent authorized budget.



**ALDEN COMMUNITY SCHOOL DISTRICT**

Schedule of Funding Progress for the  
Retiree Health Plan  
(In Thousands)

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	Jul 1, 2009	\$0	\$158	\$158	0.0%	\$1,373	11.5%
2011	Jul 1, 2010	\$0	\$158	\$158	0.0%	\$1,399	11.3%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

## **Other Supplementary Information**

## ALDEN COMMUNITY SCHOOL DISTRICT

## Schedule of Changes in Special Revenue, Student Activity Accounts

Year ended June 30, 2011

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
NOW Account Interest	\$ 2,060	91	-	2,151
Playground Fundraising	1,542	-	-	1,542
Nurse Special	1,829	761	1,016	1,574
6th Student Council	447	403	648	202
6th Grade Activity	(110)	420	293	17
Elementary Student Council	289	-	34	255
Instrumental	-	600	305	295
Vocal	-	300	-	300
Greenhouse	200	-	-	200
Band Resale	-	743	743	-
Elementary Activity	6,989	21,734	27,214	1,509
Vending Machines	116	651	767	-
Library	2,246	800	445	2,601
Fifth Grade Dare Program	854	-	23	831
	<u>\$ 16,462</u>	<u>26,503</u>	<u>31,488</u>	<u>11,477</u>

See accompanying independent auditor's report.

## ALDEN COMMUNITY SCHOOL DISTRICT

## Schedule of Changes in Fiduciary Assts - Private Purpose Trusts

Year ended June 30, 2011

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Hattie Crisp Valedictorian Scholarship	\$ 3,180	45	-	3,225
Silke Scholarship	46,739	2,430	2,430	46,739
Total	\$ 49,919	2,475	2,430	49,964

See accompanying independent auditor's report.



# BRUCE D. FRINK

## Certified Public Accountant

### Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

### Services:

- Individual, Partnership and Corporate Tax Preparation
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Bank Loan Assistance

### Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in  
Accordance with Government Auditing Standards

To the Board of Education of the  
Alden Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities and each major fund of Alden Community School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 13, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Alden Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Alden Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Alden Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings as items I-A-11 and I-B-11 to be material weaknesses.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We noted no items which we consider to be significant deficiencies.

### Compliance and Other Matters

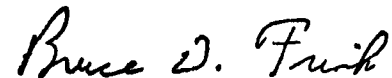
As part of obtaining reasonable assurance about whether Alden Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Alden Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Alden Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Alden Community School District and other parties to whom Alden Community School District may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Alden Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



**BRUCE D. FRINK**  
**Certified Public Accountant**

January 13, 2012

ALDEN COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2011

**Part I: Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

**INTERNAL CONTROL DEFICIENCIES:**

I-A-11 Segregation of Duties - During our review of the internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the District's financial statements. We noted that one individual has custody of receipts and performs all record-keeping and reconciling functions for the office.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review the operating procedures of the office to obtain the maximum internal control possible under the circumstances.

Response - We will review procedures and investigate available alternatives.

Conclusion - Response acknowledged.

I-B-11 Auditor Drafting of the Financial Statements and Related Footnote Disclosures - As in prior years, we were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. SAS 115, an auditing standard from the American Institute of Certified Public Accountants, requires auditors to communicate this situation as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of the District's statements and footnotes, and the responsibility of the auditor to determine the fairness of the presentation of those statements. From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do this with organizations of your size. However, based on this auditing standard, it is our responsibility to inform you that this deficiency could result in a misstatement to the financial statements that could have been prevented or detected by the District's management. As in prior years, we have instructed management to review a draft of the auditor prepared financial statements in detail for their accuracy; we have answered any questions they might have, and encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification and disclosure in your financial statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements.

Recommendation - It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response - We feel our review of the draft financials is adequate for us to accept this risk.

Conclusion - Response accepted.



ALDEN COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2011

**Part II: Other Findings Related to Required Statutory Reporting:**

II-A-11 Certified Budget - Expenditures for the year ended June 30, 2011, exceeded the amended certified budgeted amount in the non-instructional programs function. The District did not exceed its General Fund unspent authorized budget.

Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed budget. The budget was amended in June, 2011 which did not allow the required thirty days for a protest prior to the end of the fiscal year.

Response - Future budgets will be amended in a timely manner and in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion - Response accepted.

II-B-11 Questionable Expenditures - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

II-C-11 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-D-11 Business Transactions - No business transactions between the District and District officials or employees were noted.

II-E-11 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-11 Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.

II-G-11 Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

II-H-11 Certified Annual Report - The Certified Annual Report was certified timely to the Iowa Department of Education.

II-I-11 Certified Enrollment - No variances in the basic enrollment data certified to the Department of Education were noted.

II-J-11 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

II-K-11 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.

ALDEN COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2011

**Part II: Other Findings Related to Required Statutory Reporting:**  
**(continued)**

II-L-11 Statewide sales, services and use tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$148,566
Revenues/transfers in:		
Sales tax revenues	\$202,311	
Other local revenues	<u>26,683</u>	<u>228,994</u>
Expenditures/transfers out:		
School infrastructure construction	73,439	
Site improvements	4,709	
Equipment	<u>54,968</u>	<u>133,116</u>
Ending balance		<u>\$239,444</u>

For the year ended June 30, 2011, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.